



The President's Daily Brief

10 August 1971

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FOR THE PRESIDENT ONLY

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PRINCIPAL DEVELOPMENTS

On *Page 1*, we comment on the 20-year "friendship treaty" between the USSR and India.

The Pakistani Air Force has upgraded its alert posture in response to contingency preparations by the Indian Air Force; the Indians, meanwhile, have shifted some of their naval units to the Bay of Bengal for exercises. (*Page 2*)

On Saturday, Soviet-piloted Foxbats overflew Israeli-occupied territory for the first time. (*Page 3*)

Speculative activity in European money markets yesterday sharply weakened the dollar against most currencies. (*Page 4*)

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INDIA-USSR

Moscow's purpose in signing the Soviet-Indian "friendship treaty" yesterday was to forestall precipitate Indian action on the East Pakistan question. The 20-year treaty reflects Soviet willingness to support India, but also points up the limited nature of Moscow's commitment. The two countries agreed to consult with a view toward taking "appropriate effective measures" if either were attacked and to cut off assistance to the aggressor.

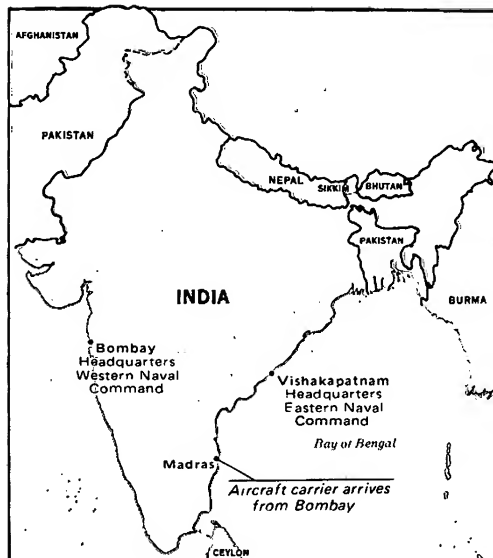
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such a treaty has been under consideration for some time, but until now the two parties have hesitated to go through with it. The Soviets apparently believed, however, that the treaty was necessary at this time to prevent India from taking more drastic action in East Pakistan. Heightened tensions on the subcontinent appear also to have overcome Mrs. Gandhi's dislike of an agreement that might seem to conflict with India's non-aligned posture. This aspect of the treaty evidently still bothers New Delhi. Foreign Secretary Kaul was at pains to point out to Ambassador Keating yesterday that the Soviets pledge in the treaty to respect India's nonalignment.

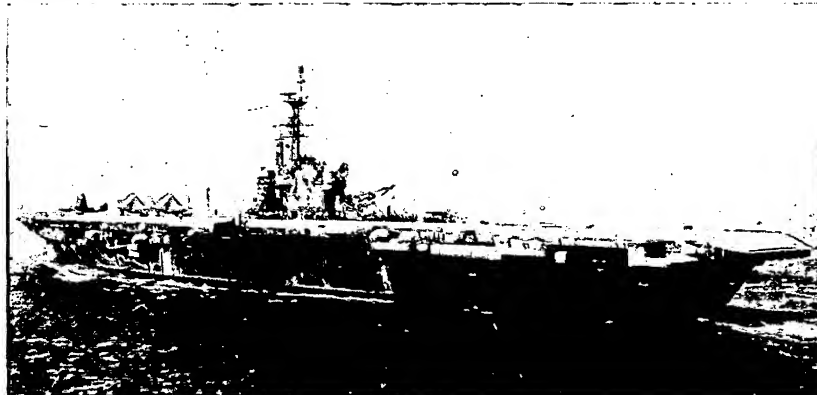
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The treaty may give Mrs. Gandhi some respite from her more hawkish critics, but this effect could prove transitory as new sources of tension arise in South Asia. Islamabad's announcement that the treason trial of East Pakistani leader Mujib will begin tomorrow is one such element. If he is given a death sentence, pressure for intervention will increase in India.

India Shifts Aircraft Carrier to Eastern Naval Command



Vikrant



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PAKISTAN-INDIA

The Pakistani Air Force has recalled all personnel on leave in an effort to upgrade its alert, [REDACTED]. The decision, which was made prior to the signing of the Soviet-Indian treaty, was in direct response to India's recent activation of several forward air bases [REDACTED]

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and its dispatch of fighter squadrons to a number of bases near its borders with East and West Pakistan. [REDACTED]

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Meanwhile, [REDACTED]
[REDACTED] India's only aircraft carrier has arrived in Madras and is participating in exercises in the Bay of Bengal with the Eastern Naval Command. The Vikrant, which had previously operated only in the Western Fleet, is scheduled to remain in the east for at least the rest of this month. Several other Western Fleet ships have been shifted to participate in the exercises.

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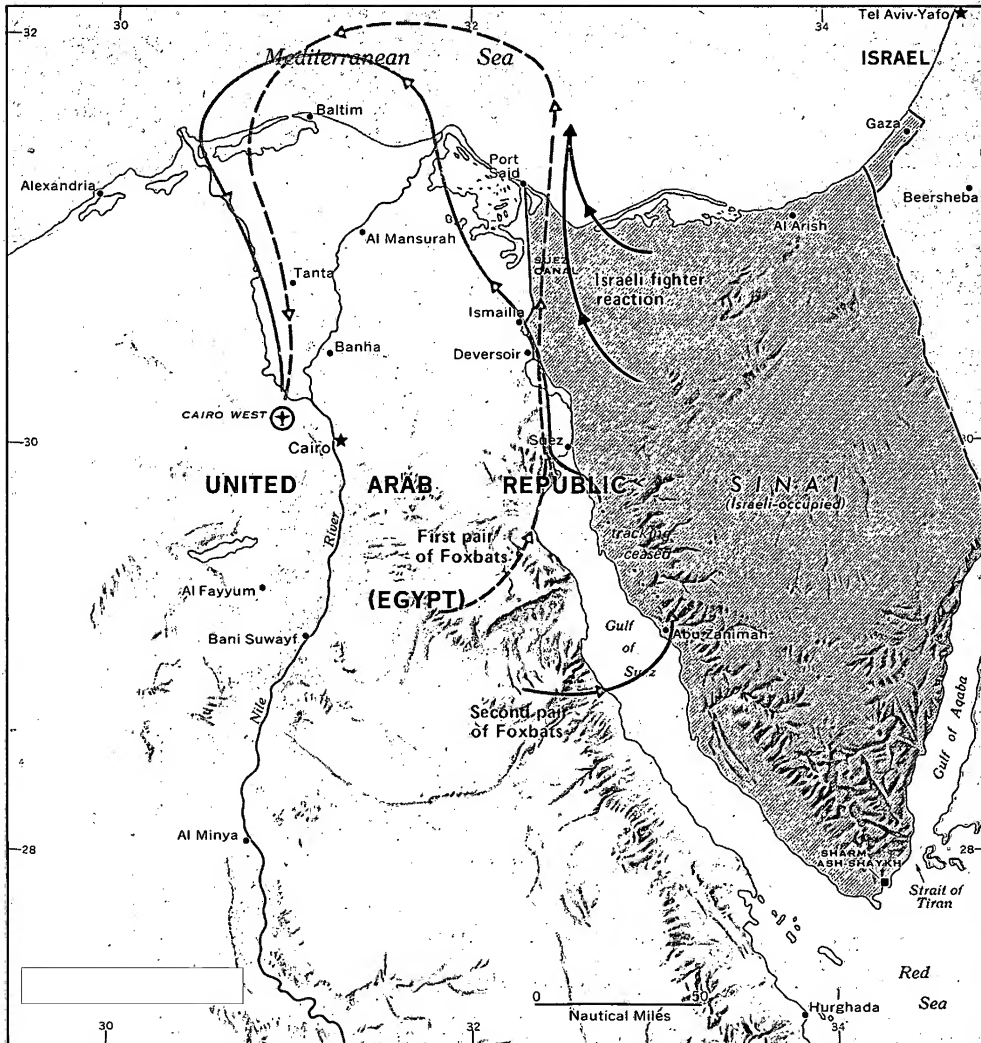
In addition to the current exercises, annual joint service maneuvers are scheduled for late September or early October. [REDACTED]

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these are planned in such a way that the units involved could be diverted quickly if required for military action against East Pakistan.

Soviet-piloted Foxbats Overfly Israeli-occupied Sinai



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USSR-ISRAEL-EGYPT

On 7 August Soviet-piloted Foxbat aircraft overflew Israeli-occupied territory for the first time. Intercepted Egyptian air defense communications indicate that a pair of Foxbats crossed the canal near Deversoir and passed over the Sinai coast about eight miles east of Port Said. The pair continued north for about 40 miles, then turned westward in an arc that carried them back over Egyptian territory between Baltim and Alexandria. Another pair of Foxbats, about five minutes behind the first, was tracked up to the Sinai coast at Abu Zanimah where tracking ceased. After they were picked up again, they flew north along the canal.

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INTERNATIONAL MONETARY SITUATION

Heavy speculative activity in European money markets yesterday sharply weakened the dollar against most currencies, and the price of gold spurted during the day to \$43.94 (in contrast to the officially set \$35.00), the highest since April 1968. Yesterday's activity related, at least in part, to a US Congressional panel's conclusion that the dollar is overvalued. In addition, Europeans continue to be concerned over the deteriorating US balance of payments.

Further weakening could occur in coming months if any of several possible developments take place. Among them might be a German refusal to accept more US Treasury notes for marks, a French demand for gold in exchange for dollar holdings, or massive speculative activity brought on by public awareness that the current American trade deficit is likely to widen.

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NOTE

Malta: Ambassador Pritzlaff reports that evidence suggests that the groundwork is being laid within Mintoff's Labor Party for rejecting NATO's proposed \$15.6-million annual cash payment. The ambassador believes that Mintoff is also prepared to risk unfavorable domestic political consequences of carrying out his threat to order British forces to withdraw if \$5 million in emergency cash aid is not forthcoming by Thursday. As for prospects for Libyan aid, Tripoli is apparently driving a hard bargain with Mintoff. Libya has dangled a promise of unlimited aid if the British are ousted, but will otherwise provide no cash and only limited support to specific projects.

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